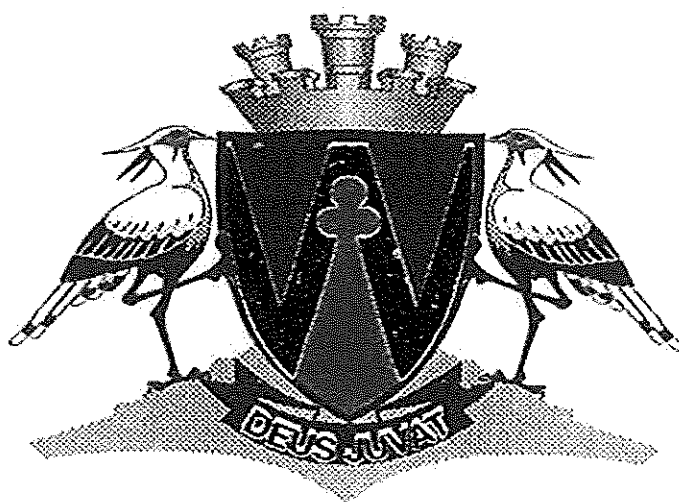


# **CENTRAL KAROO**

## **DISTRICT MUNICIPALITY**



**AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

# CENTRAL KAROO DISTRICT MUNICIPALITY

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# CENTRAL KAROO DISTRICT MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## GENERAL INFORMATION

### NATURE OF BUSINESS

CENTRAL KAROO Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

### JURISDICTION

The CENTRAL KAROO Municipality includes the following municipal areas:

*Beaufort West  
Prince Albert  
Laingsburg  
Merweville  
Murraysburg*

### MUNICIPAL MANAGER

*Mr. S. Jooste*

### CHIEF FINANCIAL OFFICER

*Mr. R. De Bruyn (Acting)*

### REGISTERED OFFICE

*63 Donkin Street, Beaufort West, 6970*

### AUDITORS

*Office of the Auditor General (WC)*

### PRINCIPLE BANKERS

*First National Bank, Beaufort West  
ABSA, Beaufort West*

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# CENTRAL KAROO DISTRICT MUNICIPALITY

## MEMBERS OF THE CENTRAL KAROO DISTRICT MUNICIPALITY

### COUNCILLORS

Mayor	E.Z. Njadu
Deputy Mayor	E. Maans
Councillor	I.J. Windvogel
Councillor	M.S. Hangana
Councillor	M. Furmen
Councillor	G. de Vos
Councillor	J.G. Mocke
Councillor	B.J. van As
Councillor	A.M. Slabbert
Councillor	S. Nortje
Councillor	A.L. Rabie
Councillor	G.P. Adolph
Councillor	R.T. Hugo

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 83 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP).


I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

Central Karoo District municipality is highly dependent on grant funding and do not have a revenue source other than the commission fee. The going concern is dependent on the continuation of the function and the grant.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
Mr. S. Jooste  
Accounting Officer

30/11/2016  
\_\_\_\_\_  
Date

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 R (Actual)	2015 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>(2,483,041)</b>	<b>(4,554,422)</b>
Accumulated (Deficit) / Surplus		(2,483,041)	(4,554,422)
<b>Non-Current Liabilities</b>		<b>17,994,771</b>	<b>16,888,806</b>
Long-term Liabilities	2	140,367	14,994
Employee benefits	3	17,854,404	16,873,812
<b>Current Liabilities</b>		<b>10,687,363</b>	<b>13,169,699</b>
Current Employee benefits	4	3,419,675	3,352,171
Payables from non exchange transactions	5	282,075	402,385
Payables from exchange transactions	6	6,113,252	6,995,358
Unspent Conditional Government Grants and Receipts	7	829,919	2,380,809
Current Portion of Long-term Liabilities	2	42,442	38,976
<b>Total Net Assets and Liabilities</b>		<b>26,199,093</b>	<b>25,504,083</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>16,697,279</b>	<b>15,628,451</b>
Property, Plant and Equipment	9	6,387,396	5,954,477
Intangible Assets	10	57,348	61,126
Employee benefits	3	10,252,535	9,612,848
<b>Current Assets</b>		<b>9,501,813</b>	<b>9,875,633</b>
Inventory	12	812,546	921,473
Receivables from non-exchange transactions	13	560,206	478,269
Unpaid Conditional Government Grants and Receipts	7	1,140,601	682,772
Taxes	8	164,897	111,743
Employee benefits	3	724,877	623,420
Cash and Cash Equivalents	15	6,098,686	7,057,957
<b>Total Assets</b>		<b>26,199,092</b>	<b>25,504,083</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 (Actual) R	2016 (Restated) R	Correction of error R	2015 (Previously reported) R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		33,972,221	27,540,678	(60,331)	27,601,009
Transfer Revenue		32,311,191	27,076,954	(60,331)	27,137,285
Government Grants and Subsidies - Operating	16	32,311,191	26,928,491	(60,331)	26,988,822
Debt Impairment	22	-	148,463	-	148,463
Other Revenue		1,661,030	463,724	-	463,724
Actuarial Gains	3	370,332	58,062	-	58,062
National Treasury 1% audit fee	18	1,290,698	405,662	-	405,662
Revenue from Exchange Transactions		46,777,856	40,769,043	149,432	40,619,611
Rental of Facilities and Equipment		69,727	70,022	-	70,022
Interest Earned - external investments		631,914	423,775	(22,560)	446,335
Department of Transport - Roads Service Charges		40,096,116	35,781,816	-	35,781,816
Licences and Permits		15,560	14,990	-	14,990
Agency Services	17	3,077,276	3,158,928	-	3,158,928
Other Income	19	2,887,263	1,319,512	171,992	1,147,520
<b>Total Revenue</b>		<b>80,760,077</b>	<b>68,309,721</b>	<b>89,101</b>	<b>68,220,620</b>
<b>EXPENDITURE</b>					
Employee related costs	20	30,671,826	26,385,212	73,570	26,311,642
Remuneration of Councillors	21	3,109,524	3,074,324	-	3,074,324
Debt Impairment	22	132,630	-	-	-
Depreciation and Amortisation	23	284,365	249,835	-	249,835
Impairments	24	900,642	599,365	-	599,365
Repairs and Maintenance	26	13,215,731	9,741,111	-	9,741,111
Actuarial losses	3	438,509	1,116,322	-	1,116,322
Finance Charges	25	653,829	743,062	-	743,062
Contracted services		240,486	273,977	-	273,977
General Expenses	27	29,020,589	23,890,860	(119,444)	24,010,304
Loss on disposal of Property, Plant and Equipment		10,565	-	-	-
<b>Total Expenditure</b>		<b>78,678,696</b>	<b>66,074,069</b>	<b>-45,874</b>	<b>66,119,943</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2,071,381</b>	<b>2,235,652</b>	<b>134,975</b>	<b>2,100,677</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated (Deficit)	Total
	R	R
Balance at 1 JULY 2014	(6,359,286)	(6,359,286)
Correction of error note 28	(430,789)	(430,789)
<b>Restated Balance at 1 JULY 2014</b>	<b>(6,790,074)</b>	<b>(6,790,074)</b>
Net Surplus for the year	2,235,652	2,235,652
<b>Balance at 30 JUNE 2015</b>	<b>(4,554,422)</b>	<b>(4,554,422)</b>
Net Surplus for the year	2,071,381	2,071,381
<b>Balance at 30 JUNE 2016</b>	<b>(2,483,041)</b>	<b>(2,483,041)</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	30 JUNE 2016 (ACTUAL) R	30 JUNE 2015 (RESTATED) R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		46,062,144	39,288,441
Government		30,302,472	27,469,279
Interest		631,914	423,775
<b>Payments</b>			
Suppliers and employees		(76,446,203)	(63,699,935)
Finance charges	25	(13,723)	(16,202)
<b>Cash generated by operations</b>	29	<u>536,604</u>	<u>3,465,358</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(528,945)	(297,593)
Purchase of Intangible Assets		(10,055)	(21,185)
Increase in Non-current Investments	11	(900,642)	(593,633)
<b>Net Cash from Investing Activities</b>		<u>(1,439,642)</u>	<u>(912,412)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(56,231)	(51,039)
<b>Net Cash from Financing Activities</b>		<u>(56,231)</u>	<u>(51,039)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(959,270)</u>	<u>2,501,906</u>
Cash and Cash Equivalents at the beginning of the year		7,057,957	4,556,048
Cash and Cash Equivalents at the end of the year	32	<u>6,098,686</u>	<u>7,057,957</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(959,271)</u>	<u>2,501,906</u>



**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2016**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R	2016 R	2016 R	%
	(Actual)	(Final Budget)	(Variance)	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash & Call investment deposits	6,098,686	12,539,945	(6,441,259)	-51% Not budgeted for correctly.
Receivables from non-exchange transactions	560,206	260,002	300,204	115% Debtors increased due to shared services debtors not correctly disclosed.
Other Receivables	1,305,498	1,108,040	197,458	18% Decrease in unpaid conditional grants. Old Unpaid grants were written off.
Current portion of long-term receivables	724,877	797,085	(72,218)	-9% Trivial.
Inventory	812,546	999,984	(187,438)	-19% Less inventory at year end than expected.
<b>Total current assets</b>	<b>9,501,813</b>	<b>15,705,066</b>	<b>(6,203,252)</b>	
<b>Non current assets</b>				
Long-term receivables	10,252,535	9,224,261	1,028,274	11% More than what was budgeted for per actuarial reports.
Property, plant and equipment	6,387,396	3,751,783	2,635,613	70% Increase due to prior year correction relating to ERF744.
Intangible Assets	57,348	12,474	44,874	360% Increase in Intangible additions.
<b>Total non current assets</b>	<b>16,697,279</b>	<b>12,988,519</b>	<b>3,708,760</b>	
<b>TOTAL ASSETS</b>	<b>26,199,092</b>	<b>28,693,585</b>	<b>(2,494,492)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	42,442	25,000	17,442	70% Trivial.
Trade and other payables	7,225,246	9,590,174	(2,364,928)	-25% More creditors paid before year end than what was budgeted for.
Provisions and Employee Benefits	3,419,675	3,587,986	(168,311)	-4% Trivial.
<b>Total current liabilities</b>	<b>10,687,363</b>	<b>13,183,160</b>	<b>(2,495,797)</b>	
<b>Non current liabilities</b>				
Borrowing	140,367	55,000	85,367	155% Trivial.
Provisions and Employee Benefits	17,854,404	20,819,076	(2,964,672)	-14% Less than what was budgeted for per actuarial reports.
<b>Total non current liabilities</b>	<b>17,994,771</b>	<b>20,874,076</b>	<b>(2,879,305)</b>	
<b>TOTAL LIABILITIES</b>	<b>28,682,134</b>	<b>34,057,236</b>	<b>(5,375,102)</b>	
<b>NET ASSETS</b>	<b>(2,483,041)</b>	<b>(5,363,652)</b>	<b>2,880,610</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	(2,483,041)	(5,363,652)	2,880,611	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>(2,483,041)</b>	<b>(5,363,652)</b>	<b>2,880,611</b>	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2016**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	%	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	8,755,794	784,152	9,539,945		9% Increase due to better cash management.
Call Investment deposits	1,300,000	1,700,000	3,000,000		131% Increase in call investments due to better cash management.
Receivables from non-exchange transactions	483,770	(223,767)	260,002		-46% Decrease due to better receipts from debtors.
Other Receivables	165,383	942,657	1,108,040		570% Increase in unpaid grants.
Current portion of long-term receivables	797,095	-	797,095	0%	
Inventory	999,984	-	999,984	0%	
<b>Total current assets</b>	<b>12,502,025</b>	<b>3,203,041</b>	<b>15,705,066</b>		
<b>Non current assets</b>					
Long-term receivables	9,224,261	-	9,224,261	0%	
Property, plant and equipment	4,127,192	(375,409)	3,751,783	-9%	Increase in Depreciation.
Intangible Assets	12,474	-	12,474	0%	
<b>Total non current assets</b>	<b>13,363,927</b>	<b>(375,409)</b>	<b>12,988,519</b>	-3%	
<b>TOTAL ASSETS</b>	<b>25,865,952</b>	<b>2,827,632</b>	<b>28,693,585</b>	<b>11%</b>	
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	25,000	-	25,000	0%	
Trade and other payables	9,590,174	-	9,590,174	0%	
Provisions and Employee Benefits	3,567,986	-	3,567,986	0%	
<b>Total current liabilities</b>	<b>13,183,160</b>	<b>-</b>	<b>13,183,160</b>		
<b>Non current liabilities</b>					
Borrowing	55,000	-	55,000	0%	
Provisions and Employee Benefits	17,819,076	3,000,000	20,819,076	17%	Increase in Employee benefits for better budgeting.
<b>Total non current liabilities</b>	<b>17,874,076</b>	<b>3,000,000</b>	<b>20,874,076</b>		
<b>TOTAL LIABILITIES</b>	<b>31,057,236</b>	<b>3,000,000</b>	<b>34,057,236</b>		
<b>NET ASSETS</b>	<b>(5,191,284)</b>	<b>(172,368)</b>	<b>(5,363,652)</b>		
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus/(Deficit)	(5,191,284)	(172,368)	(5,363,652)		
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>(5,191,284)</b>	<b>(172,368)</b>	<b>(5,363,652)</b>		

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R	2016 R	2016 R	2016 R	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
	(Actual)	(Final Budget)	(Variance)	%	
<b>REVENUE BY SOURCE</b>					
Rental of facilities and equipment	69,727	50,000	19,727	39%	Trivial.
Interest earned - external investments	631,914	500,000	131,914	26%	Trivial.
Licences and permits	15,560	-	15,560	100%	Trivial.
Agency services	3,077,276	3,773,500	(696,224)	-18%	Less Roads receipts from Provincial that in turns decrease the agency service fee.
Government Grants and Subsidies - Operating	33,601,889	36,417,200	(2,815,311)	-8%	Decrease in LG SETA grant.
Other revenue	43,353,711	45,469,154	(2,115,443)	-5%	
<b>Total Operating Revenue</b>	<b>80,750,077</b>	<b>86,209,854</b>	<b>(5,459,777)</b>	<b>-6%</b>	
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	30,671,826	15,174,696	15,497,130	102%	Roads Salary portion not budgeted for correctly.
Remuneration of councillors	3,109,524	3,428,050	(318,526)	-9%	Resignation of some councillors.
Impairment	900,642	-	900,642	0%	
Depreciation & asset impairment	284,365	368,204	(83,839)	-23%	Trivial.
Finance charges	653,829	139,000	514,829	370%	Employee benefit charges not budgeted for.
Contracted services	240,486	-	240,486	0%	
Other expenditure	42,818,024	66,976,563	(24,158,539)	-36%	Less LG SETA grant expenses than what was budgeted for.
<b>Total Operating Expenditure</b>	<b>78,678,696</b>	<b>86,086,513</b>	<b>(7,407,817)</b>	<b>-9%</b>	
<b>Net Surplus for the year</b>	<b>2,071,381</b>	<b>123,341</b>	<b>1,948,040</b>		

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2016 R	2016 R	2016 R	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
REVENUE BY SOURCE	(Approved Budget)	(Adjustments)	(Final Budget)	%
Rental of facilities and equipment	120,000	(70,000)	50,000	-58% Trivial.
Interest earned - external investments	200,000	300,000	500,000	150% Increase in investments.
Agency services	3,421,000	352,500	3,773,500	10% Increase in expected roads receipts leading to an increase in agency fees.
Government Grants and Subsidies - Operating	36,301,000	116,200	36,417,200	0% Trivial.
Other revenue	38,455,523	7,013,631	45,469,154	18% Increase in expected roads receipts leading to an increase in agency fees.
<b>Total Operating Revenue</b>	<b>78,497,523</b>	<b>7,712,331</b>	<b>86,209,854</b>	
EXPENDITURE BY TYPE				
Employee related costs	14,415,478	759,218	15,174,696	5% Increase due to budgeting for additional staff.
Remuneration of councillors	3,428,050	-	3,428,050	0%
Depreciation & asset impairment	375,204	(7,000)	368,204	-2% Trivial.
Finance charges	139,000	-	139,000	0%
Other expenditure	59,844,082	7,132,481	66,976,563	12% Expected increase in LG SETA grant that did not realise.
<b>Total Operating Expenditure</b>	<b>78,201,814</b>	<b>7,884,699</b>	<b>86,086,513</b>	
<b>Net Surplus/(Deficit) for the year</b>	<b>295,709</b>	<b>(172,368)</b>	<b>123,341</b>	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R	2016 R	2016 R	
	(Actual)	(Final Budget)	(Variance)	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	46,062,144	45,562,994	499,151	1% Incorrectly budgeted for.
Government - operating	30,302,472	36,617,200	(6,314,728)	-17% Incorrectly budgeted for.
Interest	631,914	500,000	131,914	26% Increase in interest revenue due to more funds on call account.
Payments				
Suppliers and Employees	(76,446,203)	(77,706,822)	1,260,619	-2% Incorrectly budgeted for.
Finance charges	(13,723)	(139,000)	125,277	-90% Decrease in final finance charges.
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>536,604</b>	<b>4,894,372</b>	<b>-4,297,767</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts				
Increase in non-current receivables	-	(433,663)	433,663	-100% Incorrectly budgeted for.
Increase) in non-current investments	(900,642)	-	(900,642)	100% Incorrectly budgeted for.
Payments				
Capital assets	(539,000)	(115,000)	(424,000)	369% Not budgeted for correctly. Difference is disclosed as unauthorised.
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(1,439,642)</b>	<b>(548,663)</b>	<b>(890,979)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments				
Repayment of borrowing	(56,231)	37,074	(93,305)	-252% Increase in Finance leases.
<b>NET CASH USED FINANCING ACTIVITIES</b>	<b>(56,231)</b>	<b>37,074</b>	<b>(93,305)</b>	
<b>NET INCREASE IN CASH HELD</b>	<b>-959,269</b>	<b>4,322,783</b>	<b>-5,282,051</b>	
Cash and Cash Equivalents at the beginning of the year	7,057,957	6,917,163	140,794	
Cash and Cash Equivalents at the end of the year	6,098,686	11,239,945	(5,141,259)	

**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

**ADJUSTMENTS TO APPROVED BUDGET**

	2016 R	(Approved Budget)	2016 R	(Adjustments)	2016 R	(Final Budget)	%	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Receipts								
Ratepayers and other		41,672,930		3,890,064		45,562,994	9%	Incorrectly budgeted for.
Government - operating		36,301,000		316,200		36,617,200	1%	Trivial.
Interest		200,000		300,000		500,000	100%	Increase in Investments.
Payments		(77,273,830)		(432,992)		(77,706,822)	1%	
Suppliers and Employees		(139,000)		-		(139,000)	0%	
Finance charges							535%	
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>761,100</u>		<u>4,073,272</u>		<u>4,834,372</u>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Receipts								
Increase in non-current receivables		(648,575)		214,912		(433,663)	-33%	Trivial.
Payments		(295,000)		180,000		(115,000)	-61%	Decrease in additions budgeted for.
Capital assets		(943,575)		394,912		(548,663)		
<b>NET CASH USED INVESTING ACTIVITIES</b>		<u>(943,575)</u>		<u>394,912</u>		<u>(548,663)</u>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Payments								
Repayment of borrowing		37,074		-		37,074	0%	Incorrectly budgeted for.
<b>NET CASH USED FINANCING ACTIVITIES</b>		<u>37,074</u>		<u>-</u>		<u>37,074</u>		
<b>NET INCREASE IN CASH HELD</b>		<u>(145,401)</u>		<u>4,468,184</u>		<u>4,322,783</u>		
Cash and Cash Equivalents at the beginning of the year		10,201,195		(3,284,032)		6,917,163		
Cash and Cash Equivalents at the end of the year		<u>10,055,794</u>		<u>1,184,152</u>		<u>11,239,945</u>		

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as three separate additional financial statements, namely the Statement of comparison of budget and actual amounts for the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts. The municipality shall present an explanation of changes between an approved and final budget, by way of a note disclosure in terms of GRAP 24. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R 300,000.00.



**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 20</b> <b>(Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 18</b>	<p><b>Segmental reporting</b></p> <p>The standard is effective from 01 April 2015. The implementation is delayed, in terms of Directive 5, for municipalities for the 2015/2016 financial year.</p>	<b>Unknown</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<b>Unknown</b>
<b>GRAP 109</b>	<p><b>Accounting by Principles and Agents</b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a</p>	<b>Unknown</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<p>principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	
<b>IGRAP17</b>	<p><b>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</b></p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**1.9. RESERVES**

**1.9.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized. No reserve exists for the current financial year though.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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#### **1.10. LEASES**

##### **1.10.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### **1.10.2. Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as an individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on grant conditions that have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

*CENTRAL KAROO DISTRICT MUNICIPALITY*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
  - Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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#### **1.15. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### **1.15.1. Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

##### **1.15.2. Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.15.3 Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Economic entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Economic entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.15.4. Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**1.15.5. Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

**1.15.6. Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**1.15.7. Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.15.8. Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.16. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset; in which case they will be capitalised to the cost of such a qualifying asset.

#### **1.17. PROPERTY, PLANT AND EQUIPMENT**

##### **1.17.4. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.



**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.17.5. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

**1.17.6. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	11 – 100
Community Assets	Civic Buildings	30 - 100
Heritage	None	Indefinite
Other Assets	Machinery and Equipment	1 – 41
	Furniture and Office Equipment	3 – 100
	Motor Vehicles	5 - 21
	Computer Equipment	2 – 20

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.17.7. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.8. Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

**1.18. INTANGIBLE ASSETS**

**1.18.4. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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- it is probable that the Municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**1.18.5. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.18.6. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5 - 11

**1.18.7. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.19.4. Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.19.5. Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

**1.20. INVENTORIES**

**1.20.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.20.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

**1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

#### **1.21.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### **1.21.2. Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### **1.21.2.1. Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.



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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.21.2.2. Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.21.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.21.2.4. Non-Current Investments**

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.21.3. De-recognition of Financial Instruments**

**1.21.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has transferred despite retaining some of the risks and rewards risks and rewards of the asset, but has transferred control of the asset.

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.21.3.2. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.21.4. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.22 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### **1.22.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised.

#### **1.22.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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- (a) interest or other charges that may have accrued on the receivable;
  - (b) impairment losses; and
  - (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### **1.22.3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

### **1.23. REVENUE**

#### **1.23.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is

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### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.23.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
  - The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.24. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Municipality of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.25. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost

## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

##### **1.29.1. Post-retirement medical obligations and Long service awards**



## **CENTRAL KAROO DISTRICT MUNICIPALITY**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### **1.29.2. Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### **1.29.3. Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

#### **1.29.4. Intangible Assets**

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

**1.29.5. Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.29.6. Revenue Recognition**

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.29.7. Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.29.8. Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.31. CAPITAL COMMITMENTS**

***CENTRAL KAROO DISTRICT MUNICIPALITY***

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.32. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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**LONG-TERM LIABILITIES**

	2016 R	2015 R
Capitalised Lease Liability - At amortised cost	182,809	53,970
	<u>182,809</u>	<u>53,970</u>
Current Portion transferred to Current Liabilities	42,442	38,976
Capitalised Lease Liability - At amortised cost	<u>42,442</u>	<u>38,976</u>
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b><u>140,367</u></b>	<b><u>14,994</u></b>

Refer below for maturity dates of long term liabilities:

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	53,880	44,651
Payable within two to five years	158,831	17,586
	<u>210,711</u>	<u>62,237</u>
<b>Less: Future finance obligations</b>	<b>(27,902)</b>	<b>(8,267)</b>
<b>Present value of lease obligations</b>	<b><u>182,809</u></b>	<b><u>53,970</u></b>
Book value of other assets secured by leases	-	40,453

The capitalised lease liability consist out of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
Gestetner	Copier	20%	0%	5 Years	30/11/2016
RICOH	Copier	13%	0%	5 Years	31/03/2021
RICOH	Copier	13%	0%	5 Years	30/09/2020
RICOH	Copier	13%	0%	5 Years	30/06/2019

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

3

**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 3.1	8,021,975	7,928,504
Roads Post Retirement Benefits - Refer to Note 3.1	8,037,537	6,829,655
Long Service Awards Roads - Refer to Note 3.2	1,052,759	972,716
Long Service Awards Other - Refer to Note 3.2	392,038	620,385
Ex - Gratia Roads - Refer to Note 3.3	350,095	522,552
<b>Total Non-current Employee Benefit Liabilities</b>	<b><u>17,854,404</u></b>	<b><u>16,873,812</u></b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b><u>Post Retirement Benefits</u></b>		
Balance 1 July	15,551,706	13,894,504
Contribution for the year	371,125	313,440
Interest Cost	1,297,711	1,180,894
Expenditure for the year	(793,547)	(773,676)
Actuarial Loss	438,509	936,544
<b>Total post retirement benefits 30 June</b>	<b>16,865,504</b>	<b>15,551,706</b>
<b>Less:</b> Transfer of Current Portion - Note 4	<b>(805,992)</b>	<b>(793,548)</b>
<b>Balance 30 June</b>	<b>16,059,512</b>	<b>14,758,159</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	1,918,246	1,689,337
Contribution for the year	143,822	127,429
Interest Cost	133,343	129,552
Expenditure for the year	(202,171)	(207,850)
Actuarial (Gain) / Loss	(245,103)	179,778
<b>Total long service 30 June</b>	<b>1,748,137</b>	<b>1,918,246</b>
<b>Less:</b> Transfer of Current Portion - Note 4	<b>(303,340)</b>	<b>(325,145)</b>
<b>Balance 30 June</b>	<b>1,444,797</b>	<b>1,593,101</b>
<b><u>Ex - Gratia Benefits</u></b>		
Balance 1 July	593,177	622,178
Interest Cost	46,051	49,838
Actuarial Gain	(125,229)	(78,839)
<b>Total long service 30 June</b>	<b>513,999</b>	<b>593,177</b>
<b>Less:</b> Transfer of Current Portion - Note 4	<b>(163,904)</b>	<b>(70,625)</b>
<b>Balance 30 June</b>	<b>350,095</b>	<b>522,552</b>
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
Balance 1 July	18,063,129	16,206,019
Contribution for the year	514,947	440,869
Interest cost	1,477,105	1,360,284
Expenditure for the year	(985,718)	(981,526)
Actuarial Loss	68,177	1,037,483
<b>Total employee benefits 30 June</b>	<b>19,127,640</b>	<b>18,063,130</b>
<b>Less:</b> Transfer of Current Portion - Note 4	<b>(1,273,236)</b>	<b>(1,189,318)</b>
<b>Balance 30 June</b>	<b>17,854,404</b>	<b>16,873,812</b>

3.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	26	28
In-service (employee) non-members	91	-
Continuation members (e.g. Retirees, widows, orphans)	24	26
<b>Total Members</b>	<b>141</b>	<b>54</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	6,744,743	5,739,336
In-service (employee) non-members	332,026	-
Continuation members	9,788,735	9,812,371
<b>Total Liability</b>	<b>16,865,504</b>	<b>15,551,707</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 Rm	2013 Rm	2012 Rm
<b>Total Liability</b>	<b>13.896</b>	<b>12.908</b>	<b>12.243</b>

Experience adjustments were calculated as follows:

	2014 Rm	2013 Rm	2012 Rm
Liabilities: (Gain) / loss	0.353	0.602	-0.808
Assets: Gain / (loss)			

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Samwumed; and  
Keyhealth - Discovery.

Key actuarial assumptions used:

	2016 %	2015 %
<b>i) Rate of Interest</b>		
Discount rate	9.09%	8.66%
Health Care Cost Inflation Rate	8.20%	7.83%
Net Effective Discount Rate	0.82%	0.67%

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

	2016 R	2015 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	19,127,640	18,063,130
<b>Total Liability</b>	<b>19,127,640</b>	<b>18,063,130</b>

The fund is wholly unfunded.

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	15,551,707	13,894,504
Total expenses	875,289	720,659
Current service cost	371,125	313,440
Interest Cost	1,297,711	1,180,894
Benefits Paid	(793,547)	(773,676)
Actuarial losses	438,509	936,544
Present value of fund obligation at the end of the year	16,865,505	15,551,707
<b>Less: Transfer of Current Portion - Note 4</b>	<b>(805,992)</b>	<b>(793,548)</b>
<b>Balance 30 June</b>	<b>16,059,513</b>	<b>14,758,159</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
<b>Central Assumptions</b>		7,077,000	9,789,000	16,866,000	
Health care inflation	1%	7,849,000	10,199,000	18,048,000	7%
Health care inflation	-1%	6,158,000	9,297,000	15,455,000	-8%
Discount rate	1%	6,003,000	8,970,000	14,973,000	-11%
Discount rate	-1%	8,433,000	10,755,000	19,188,000	14%
Post-retirement mortality	-1yr	7,310,000	10,163,000	17,473,000	4%
Average retirement age	-1yr	7,625,000	9,789,000	17,414,000	3%
Withdrawal Rate	-10%	6,440,000	9,789,000	16,229,000	-4%
		<b>Current-service Cost (R)</b>	<b>Interest Cost (R)</b>	<b>Total (R)</b>	<b>% change</b>
<b>Central Assumption</b>		371,100	1,297,700	1,668,800	
Health care inflation	1%	450,300	1,485,200	1,935,500	16%
Health care inflation	-1%	308,500	1,143,300	1,451,800	-13%
Discount rate	1%	311,200	1,278,200	1,589,400	5%
Discount rate	-1%	447,900	1,313,500	1,761,400	6%
Post-retirement mortality	-1yr	383,900	1,351,700	1,735,600	4%
Average retirement age	-1yr	403,800	1,335,700	1,739,500	4%
Withdrawal Rate	-10yr	341,000	1,252,800	1,593,800	-4%

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

3.2	Long Service Bonuses	2016	2015		
The Long Service Bonus plans are defined benefit plans.					
	Roads	89	96		
	Other	18	19		
As at year end, the following number of employees were eligible for Long Service Bonuses.		107	115		
Key actuarial assumptions used:		2016	2015		
		%	%		
i) Rate of interest					
	Discount rate	8.38%	7.58%		
	General Salary Inflation (long-term)	7.05%	6.85%		
	Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.68%		
		2016	2015		
		R	R		
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations		1,748,137	1,918,246		
Net liability		1,748,137	1,918,246		
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:					
	2014	2013	2012		
	R	R	R		
Total Liability	1,689,337	1,667,638	1,416,839		
Experience adjustments were calculated as follows:					
	2014	2013	2012		
Liabilities: (Gain) / loss	21,793	153,105	696,296		
Assets: Gain / (loss)	-	-	-		
Reconciliation of present value of fund obligation:					
	2016	2015			
	R	R			
Present value of fund obligation at the beginning of the year	1,918,246	1,689,337			
Total expenses	74,994	49,131			
Current service cost	143,822	127,429			
Interest Cost	133,343	129,552			
Benefits Paid	(202,171)	(207,850)			
Actuarial losses	(245,103)	179,778			
Present value of fund obligation at the end of the year	1,748,137	1,918,246			
Less: Transfer of Current Portion - Note 4	(303,340)	(325,145)			
Balance 30 June	1,444,797	1,593,101			
Sensitivity Analysis on the Unfunded Accrued Liability					
Assumption	Change	Liability (R)	% change		
Central assumptions		1,748,000			
General Salary inflation	+1%	1,853,000	6%		
General Salary inflation	-1%	1,652,000	-5%		
Discount rate	+1%	1,848,000	-6%		
Discount rate	-1%	1,860,000	6%		
Average retirement age	-2yr	1,568,000	-10%		
Average retirement age	2yr	1,937,000	11%		
Withdrawal Rate	-50%	1,973,000	13%		
Current-service					
Assumption	Change	Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		143,800	133,300	277,100	
Health care inflation	1%	154,700	141,500	296,200	7%
Health care inflation	-1%	134,000	125,900	259,900	-6%
Discount rate	1%	134,800	142,000	276,800	0%
Discount rate	-1%	154,000	123,500	277,500	0%
Post-retirement mortality	-1yr	130,400	118,200	248,600	-10%
Average retirement age	1yr	157,800	146,500	304,300	10%
Withdrawal Rate	-50%	176,300	150,900	327,200	18%

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>3.3 Ex - Gratia Benefits</b>		<b>2016</b>	<b>2015</b>
The Ex - Gratia plans are defined benefit plans.			
Roads		12	17
As at year end, the following number of employees were eligible for Ex - Gratia benefits.		12	17
		<hr/>	<hr/>
Key actuarial assumptions used:		<b>2016</b>	<b>2015</b>
		<b>%</b>	<b>%</b>
<b>i) Rate of Interest</b>			
Discount rate		8.78%	8.24%
Benefit increase rate (CPI inflation)		6.43%	6.08%
Net Effective Discount Rate		2.21%	2.04%
		<hr/>	<hr/>
		<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
<b>Reconciliation of present value of fund obligation:</b>			
Present value of fund obligation at the beginning of the year		593,177	622,178
Total expenses		46,051	49,838
Interest Cost		46,051	49,838
Actuarial (gains)/losses		(125,229)	(78,839)
Present value of fund obligation at the end of the year		513,999	593,177
<b>Less:</b> Transfer of Current Portion - Note 4		(163,904)	(70,625)
<b>Balance 30 June</b>		<b>350,095</b>	<b>522,552</b>
		<hr/>	<hr/>
<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>			
<b>Assumption</b>	<b>Change</b>	<b>Liability (R)</b>	<b>% change</b>
Central assumptions		513,999	
Benefit Increase rate	+1%	535,989	4%
Benefit Increase rate	-1%	493,179	-4%
Discount rate	+1%	493,798	-4%
Discount rate	-1%	535,706	4%
Average retirement age	-1yr	524,682	2%
Withdrawal Rate	-50%	516,921	1%
		<hr/>	
<b>Assumption</b>	<b>Change</b>	<b>Interest Cost (R)</b>	<b>Total (R)</b>
Central Assumption		46,051	46,051
Pension Increase rate	1%	48,413	48,413
Pension Increase rate	-1%	43,826	43,826
Discount rate	1%	49,220	49,220
Discount rate	-1%	42,512	42,512
Average retirement age	-1yr	40,937	40,937
Withdrawal Rate	-50%	46,394	46,394
		<hr/>	<hr/>

**3.4 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claimed that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.



**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**CAPE RETIREMENT FUND**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in an sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).		
Contributions paid recognised in the Statement of Financial Performance	<u>3,389,452</u>	<u>3,162,532</u>

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 153.1% (30 June 2014 - 101.7%).		
Contributions paid recognised in the Statement of Financial Performance	<u>141,987</u>	<u>159,531</u>

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance		
SAMWU National Provident Fund	<u>836,299</u>	<u>856,389</u>

**3.5 EMPLOYEE BENEFITS - RECEIVABLE**

Department of Transport: Roads - Post Employment Health Care Benefits (Note 3.1)	9,233,300	8,413,665
Department of Transport: Roads - Long Service Awards (Note 3.2)	1,230,113	1,229,428
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 3.3)	<u>513,999</u>	<u>593,177</u>
	10,977,412	10,236,268
<b>Less:</b> Current portion transferred to current receivables	(724,877)	(623,420)
Department of Transport: Roads - Post Employment Health Care Benefits (Note 3.1)	(352,764)	(376,128)
Department of Transport: Roads - Long Service Awards (Note 3.2)	(208,209)	(176,667)
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 3.3)	<u>(163,904)</u>	<u>(70,625)</u>
	10,252,535	9,612,848
<b>Less:</b> Provision for Impairment	-	-
<b>Total Long Term Receivables</b>	<u>10,252,535</u>	<u>9,612,848</u>

**DEPARTMENT OF TRANSPORT: ROADS**

Roads Receivable relates to the provision for post-retirement health benefits, long service awards and ex-gratia pension benefits made in respect of employees directly appointed for Roads Function performed on an agency basis on behalf of the Provincial Administration.

In terms of the agreement between the Western Cape Provincial Government and past practise, Provincial Government funds will be made available to maintain the approved organogram of the Roads department, including all employee post-retirement benefits. The future claim for the provision for retirement benefits, which is derived from past services rendered by the relevant employees, has therefore been raised as a long term debtor.

The carrying amount of these assets approximates their fair value.

**4**

**CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 3	805,992	793,548
Current Portion of Long-Service Provisions - Note 3	303,340	325,145
Current Portion of Ex - Gratia Benefits - Note 3	163,904	70,625
Provision for Staff Leave	1,389,067	1,515,604
Staff Bonuses accrued	<u>757,372</u>	<u>647,250</u>
<b>Total Current Employee Benefits</b>	<u>3,419,675</u>	<u>3,352,171</u>

The movement in current employee benefits are reconciled as follows:

**Provision for Staff Leave**

Balance at beginning of year	1,515,604	1,324,964
Contribution to current portion	258,495	286,120
Expenditure incurred	<u>(385,032)</u>	<u>(95,480)</u>
<b>Balance at end of year</b>	<u>1,389,067</u>	<u>1,515,604</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b><u>Provision for Performance Bonuses</u></b>		
Balance at beginning of year	-	111,178
Contribution to current portion	-	( 111 178)
Expenditure incurred	-	-
Balance at end of year	-	-

No performance bonuses due to the re-structuring of packages in 2014/2015 financial year by all S57 Managers.

**Staff Bonuses accrued**

Balance at beginning of year	647,250	563,362
Contribution to current portion	1,546,779	1,278,402
Expenditure incurred	(1,436,657)	(1,194,514)
Balance at end of year	<b>767,372</b>	<b>647,250</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**5 PAYABLES FROM NON EXCHANGE TRANSACTIONS**

Trade Payables - National Treasury	282,075	402,385
	<b>282,075</b>	<b>402,385</b>

**6 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	1,885,094	2,554,947
Roads - Sundry creditors	3,925,748	4,269,860
Sundry Creditors	302,410	170,551
<b>Total Trade Payables</b>	<b>6,113,252</b>	<b>6,995,358</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

**7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

<b>Unspent Grants</b>	829,919	2,380,809
National Government Grants	58,710	1,000,071
Provincial Government Grants	771,209	1,380,738
Other Grant Providers	-	-
<b>Less: Unpaid Grants</b>	1,140,601	682,772
National Government Grants	637,631	2,068
Other Grant Providers	502,969	680,704
<b>Total Conditional Grants and Receipts</b>	<b>(310,682)</b>	<b>1,698,038</b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

**8 TAXES**  
**8.1 VAT RECEIVABLE/(PAYABLE)**

VAT receivable	434,306	112,987
VAT Payable	(269,409)	(1,245)
<b>Total VAT receivable</b>	<b>164,897</b>	<b>111,743</b>

**8.2 NET VAT RECEIVABLE/(PAYABLE)**

<b>164,897</b>	<b>111,743</b>
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VAT is receivable/payable on the cash basis.

**9 PROPERTY, PLANT AND EQUIPMENT**

See attached sheet

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9 PROPERTY, PLANT AND EQUIPMENT

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Reconciliation of Carrying Value														
	Opening Balance R	Correction of error R	Cost		Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Accumulated Depreciation and Impairment Losses			Disposals R	Closing Balance R	Carrying Value R
			Additions R						Impairment R					
Land and Buildings	5,291,060	-	-	-	-	5,291,060	1,912,901	54,875	-	-	-	-	1,967,776	3,323,284
Land	812,200	-	-	-	-	812,200	-	-	-	-	-	-	-	812,200
Buildings	4,478,860	-	-	-	-	4,478,860	1,912,901	54,875	-	-	-	-	1,967,776	2,511,084
Community Assets	1,031,424	-	-	-	-	1,031,424	200,466	26,805	-	-	-	-	227,271	804,153
Buildings	1,031,424	-	-	-	-	1,031,424	200,466	26,805	-	-	-	-	227,271	804,153
Other Assets	4,602,769	-	714,015	-	-	5,306,329	2,857,408	192,026	-	-	-	(1,065)	3,043,370	2,259,960
Machinery and Equipment	676,037	-	643,545	-	(1,375)	1,318,207	424,427	52,998	-	-	-	(1,065)	476,360	841,847
Furniture and Equipment	1,432,764	-	22,555	-	-	1,455,319	769,359	45,198	-	-	-	-	814,555	640,764
Office Equipment- Computers	1,139,235	-	47,915	-	(7,080)	1,180,070	793,317	36,684	-	-	-	-	830,001	350,069
Motor vehicles	1,354,733	-	-	-	-	1,354,733	870,306	57,147	-	-	-	-	927,453	427,280
	10,925,253	-	714,015	-	(8,455)	11,630,813	4,970,775	273,707	-	-	-	(1,065)	5,243,417	6,387,396

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

30 JUNE 2015

Reconciliation of Carrying Value

	Opening Balance R	Correction of error R	Cost Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Accumulated Depreciation and Impairment Losses Correction of error R	Impairment R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	2,841,060	2,450,000	-	-	5,291,060	1,262,450	43,536	606,915	-	-	1,912,901	3,378,159
Land	229,000	593,200	-	-	812,200	-	-	-	-	-	-	812,200
Buildings	2,612,060	1,856,800	-	-	4,478,860	1,262,450	43,536	606,915	-	-	1,912,901	2,565,959
Community Assets	1,031,424	-	-	-	1,031,424	172,768	27,699	-	-	-	200,466	830,958
Buildings	1,031,424	-	-	-	1,031,424	172,768	27,699	-	-	-	200,466	830,958
Other Assets	4,305,176	-	297,593	-	4,602,769	2,681,430	170,246	-	5,732	-	2,857,408	1,745,361
Machinery and Equipment	654,788	-	21,249	-	676,037	418,895	4,389	-	1,143	-	424,427	251,611
Furniture and Equipment	1,383,968	-	48,796	-	1,432,764	755,160	13,007	-	1,192	-	789,359	663,405
Office Equipment - Computers	1,076,687	-	62,548	-	1,139,235	688,926	100,992	-	3,398	-	793,317	345,918
Motor vehicles	1,188,733	-	165,000	-	1,354,733	818,448	51,858	-	-	-	870,366	484,427
	8,177,660	2,450,000	297,593	-	10,925,253	4,116,648	241,480	606,915	5,732	-	4,970,775	5,954,477

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

The effect of the Change in Accounting estimates due to the review of useful lives and residual values is as follows:

Increase / (Decrease) in depreciation on other assets for the year

	2017 R	2018 R	2019 R
	320,983	310,712	302,284

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>10 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
Net Carrying amount at 1 July	61,126	48,295
Cost	158,882	137,697
Accumulated Amortisation	(97,756)	(89,402)
Additions	10,055	21,185
Disposals	(3,175)	-
Amortisation	(10,658)	(8,354)
Net Carrying amount at 30 June	57,348	61,126
Cost	165,762	158,882
Accumulated Amortisation	(108,414)	(97,756)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	Carrying Value	
		2016 R	2015 R
Microsoft Office and other software	5	57,348	61,126

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

**11 LOAN TO CKEDA**

Central Karoo Economic Development Agency SOC Ltd

Shares	100	100
Opening Balance	1,331,560	737,927
Contribution towards loan	900,542	593,633
Impairment	(2,232,202)	(1,331,560)
	-	-

The investment has no terms and conditions nor is it secured. There is also no intention to collect

**12 INVENTORY**

Maintenance Materials - At cost	763,677	866,677
Consumable Stores - Milk - At cost	48,869	54,796
<b>Total Inventory</b>	<b>812,546</b>	<b>921,473</b>

Inventory recognised as an expense during the year

7,683,375 7,959,950

No inventory assets were pledged as security for liabilities.

**13 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Other Debtors	978,382	763,814
<b>Total Receivables from Non-Exchange Transactions</b>	<b>978,382</b>	<b>763,814</b>
Less: Allowance for Doubtful Debts	(418,176)	(285,545)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>560,206</b>	<b>478,269</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016 R</b>	<b>2015 R</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	285,545	434,009
Contribution to provision/(Reversal of provision)	132,630	(148,463)
<b>Balance at end of year</b>	<b>418,176</b>	<b>285,545</b>
The entire provision for bad debts relates to outstanding balances older than 180 days.		
<b>14 OPERATING LEASE ARRANGEMENTS</b>		
Operating leases currently under the control of the Central Karoo District Municipality has no end date to the contracts. There will therefore be no calculation for the smoothing of these leases.		
<b>15 CASH AND CASH EQUIVALENTS</b>		
<u>Assets</u>		
Call Investments Deposits	2,693,787	2,339,753
Bank Accounts	3,403,599	4,716,904
Cash Floats	1,300	1,300
<b>Total Cash and Cash Equivalents - Assets</b>	<b>6,098,686</b>	<b>7,057,957</b>
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
Call Investments Deposits to an amount of R2693787.41 are held to fund the Unspent Conditional Grants (2015: R2339753).		
Bank overdraft facility of R2 000 000 exists at FNB.		
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
ABSA Bank Account Number 1540 0000 14 (Cheque Account)		
First National Bank Account Number 6206 2151 429 (Cheque Account)		
Combined Accounts	3,403,599	4,716,904
	<b>3,403,599</b>	<b>4,716,904</b>
<b>ABSA Bank Account Number 1540 0000 14 (Cheque Account)</b>		
Bank statement balance at beginning of year	915,529	2,217,730
Bank statement balance at end of year	277,176	915,529
<b>First National Bank Account Number 6206 2151 429 (Cheque Account)</b>		
Bank statement balance at beginning of year	3,652,498	987,398
Bank statement balance at end of year	1,284,594	3,652,498

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>Combined Accounts</b>		
Cash book balance at beginning of year	4,716,904	3,254,748
Cash book balance at end of year	<u>3,403,599</u>	<u>4,716,904</u>
Both bank accounts are posted to a single cash book in the general ledger		
<b>Call Investments Deposits</b>		
Call Investment deposits consist out of the following accounts:		
Nedbank - 03 / 7681125551 / 01	1,581,122	-
First Rand Bank Limited - 6223 6004 355	-	1,300,000
Nedbank - 03 / 7681114568 / 01	1,112,665	1,039,753
	<u>2,693,787</u>	<u>2,339,753</u>
<b>16 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>19,324,000</b>	<b>16,722,000</b>
Equitable Share	<u>19,324,000</u>	<u>16,722,000</u>
<b>Conditional Grants</b>	<b>12,987,191</b>	<b>10,206,491</b>
Grants and donations	<u>12,987,191</u>	<u>10,206,491</u>
<b>Total Government Grants and Subsidies</b>	<b><u>32,311,191</u></b>	<b><u>26,928,491</u></b>
Government Grants and Subsidies - Operating	<u>32,311,191</u>	<u>26,928,491</u>
	<u>32,311,191</u>	<u>26,928,491</u>
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	19,324,000	16,722,000
Executive and Council	3,390,016	536,548
Budget and Treasury	6,766,857	7,588,366
Corporate Services	1,900,318	1,481,142
Planning and Development	930,000	600,435
	<u>32,311,191</u>	<u>26,928,491</u>
The municipality does not expect any significant changes to the level of grants.		
<b>16.1 Equitable share</b>		
Opening balance	-	-
Grants received	19,324,000	16,722,000
Conditions met - Operating	<u>(19,324,000)</u>	<u>(16,722,000)</u>
Conditions met	<u>-</u>	<u>-</u>
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>16.2 Health Subsidy</b>		
Opening balance	-	(38,514)
Grants received	-	-
Conditions met - Operating	-	-
Correction of error note 28	-	38,514
Grants to be recovered	<u>-</u>	<u>-</u>
Health subsidies was used fund primary health care services in the municipal area.		
<b>16.3 Local Government Financial Management Grant (FMG)</b>		
Opening balance	(2,068)	(2,068)
Grants received	1,250,000	1,250,000
Conditions met - Operating	<u>(1,250,000)</u>	<u>(1,250,000)</u>
Conditions met - Capital	-	-
Grants to be recovered	<u>(2,068)</u>	<u>(2,068)</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>16.4 Municipal Systems Improvement Grant</b>		
Opening balance	-	-
Grants received	930,000	934,000
Conditions met - Operating	(930,000)	(934,000)
Conditions met - Capital	-	-
Grants to be recovered	-	-
	<u>-</u>	<u>-</u>
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>16.5 Working for Water</b>		
Opening balance	-	147,278
Grants received	-	-
Conditions met - Operating	-	(328,875)
Correction of error note 28	-	179,597
Grant expenditure to be recovered	-	-
	<u>-</u>	<u>-</u>
Grant utilised for the eradication of acacia karroo vegetation.		
<b>16.6 Doring veld Project</b>		
Opening balance	-	-
Grants received	651,559	-
Conditions met - Operating	(881,409)	-
Conditions met - Capital	-	-
Conditions to be met/(Grants to be recovered)	<u>(229,849)</u>	<u>-</u>
Grant utilised for the eradication of alien vegetation.		
<b>16.7 Other Grants</b>		
Opening balance	1,700,105	1,055,554
Grants received	8,148,912	8,563,279
Conditions met - Operating	(9,403,121)	(7,760,947)
Correction of error note 28	-	(157,761)
Conditions met - Capital	(522,661)	-
Conditions still to be met	<u>(78,765)</u>	<u>1,700,105</u>
Various grants were received from other spheres of government.		
	<b>2016</b>	<b>2015</b>
	<b>R</b>	<b>R</b>
<b>16.8 Total Grants</b>		
Opening balance	1,698,038	1,162,251
Grants received	30,302,472	27,469,279
Conditions met - Operating	(31,788,530)	(28,993,822)
Conditions met - Capital	(522,661)	-
Correction of error note 28	-	60,330
Conditions still to be met/(Grant expenditure to be recovered)	<u>(310,682)</u>	<u>1,698,038</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	829,919	2,380,809
Unpaid Conditional Government Grants and Receipts	<u>(1,140,601)</u>	<u>(682,772)</u>
	<u>(310,682)</u>	<u>1,698,038</u>
<b>17 AGENCY SERVICES</b>		
Commission on Agency services: Department of Transport: Western Cape	3,077,276	3,158,928
	<u>3,077,276</u>	<u>3,158,928</u>
The municipality has service level agreements with Department Transport Western Cape		
<b>18 OTHER REVENUE</b>		
National Treasury 1% audit fee	1,290,698	405,662
	<u>1,290,698</u>	<u>405,662</u>



CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>19 OTHER INCOME</b>		
Contributions from shared services with Beaufort West Municipality	487,675	139,742
Contributions from shared services with Laingsburg Municipality	416,696	120,705
Contributions from shared services with Prince Albert Municipality	809,123	458,516
Ramms Admin fee	394,920	-
LG Seta admin fee	157,500	-
Sundry Income	365,263	72,306
EPWP Admin fee	-	127,579
Photostat and Faxes	667	11,957
Private Work - Roads Department	1,045	27,420
Commission	11,211	16,218
Samples: Milk and Water	29,220	62,084
Milk Sales	213,943	282,986
<b>Total Other Income</b>	<b>2,887,263</b>	<b>1,319,512</b>

## CENTRAL KAROO DISTRICT MUNICIPALITY

## NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20

## EMPLOYEE RELATED COSTS

	2016 R	2015 R
Employee Related Costs - Salaries and Wages	22,042,926	19,542,010
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,150,260	3,484,905
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,247,316	1,137,618
Housing Benefits and Allowances	240,347	118,565
Overtime Payments	716,025	528,881
Bonuses	1,501,618	1,194,514
Leave Provision	258,495	286,119
Contribution to provision - Long Service Awards	143,135	63,599
Contribution to provision - Post Retirement Medical	371,704	29,001
<b>Total Employee Related Costs</b>	<b>30,671,826</b>	<b>26,385,212</b>

## KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year contract and all the other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period. Acting allowances are immaterial.

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

*Remuneration of the Municipal Manager - Mr S Jooste*

Annual Remuneration	912,660	915,623
Travelling Reimbursement	360,000	300,000
Telephone allowance	18,000	18,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	28,277	36,448
<b>Total</b>	<b>1,318,937</b>	<b>1,270,071</b>

*Remuneration of the Director Technical Services*

Annual Remuneration	770,137	670,837
Traveling Reimbursement	100,000	100,000
Contributions - UIF, Medical, Pension	186,306	163,490
<b>Total</b>	<b>1,056,443</b>	<b>934,327</b>

*Remuneration of the Director Corporate Financial and Support Services*

Annual Remuneration	551,914	859,750
Traveling Reimbursement	42,000	72,000
Contributions - UIF, Medical, Pension	113,079	176,916
<b>Total</b>	<b>706,993</b>	<b>1,108,666</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>21 REMUNERATION OF COUNCILLORS</b>		
Mayor	785,200	742,963
Executive Committee Members	1,247,096	1,250,631
Councillors	1,077,228	1,080,730
<b>Total Councillors' Remuneration</b>	<b>3,109,524</b>	<b>3,074,324</b>
<i>In-kind Benefits</i>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee members are full-time Councillors. Each are provided with an office and shared secretarial support at the cost of the Council. The Executive Mayor may utilise official Council Transportation when engaged in official duties.		
<b>22 DEBT IMPAIRMENT</b>		
Trade Receivables from non-exchange transactions - Note 13	132,630	(148,463)
<b>Debt impairment recognised in statement of financial performance</b>	<b>132,630</b>	<b>(148,463)</b>
<b>23 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	273,707	241,480
Intangible Assets	10,658	8,355
	<b>284,365</b>	<b>249,835</b>
<b>24 IMPAIRMENTS</b>		
Non-Current Investments	900,642	593,633
Property, Plant and Equipment	-	5,732
	<b>900,642</b>	<b>599,365</b>
<b>25 FINANCE CHARGES</b>		
Employee Benefits	1,477,105	1,360,284
Less: Employee benefits transferred to Roads. Refer to note 3.5	(836,999)	(633,424)
Finance leases	13,723	16,202
<b>Total finance charges</b>	<b>653,829</b>	<b>743,062</b>
<b>26 REPAIRS AND MAINTENANCE</b>		
Buildings	813,113	108,868
Furniture and Equipment	32,921	11,438
General	1,060	2,120
Road Workings	12,336,384	9,606,976
Vehicle Repair and Maintenance	32,254	11,708
<b>Total Operating grant expenditure</b>	<b>13,215,731</b>	<b>9,741,111</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>27 GENERAL EXPENSES</b>		
Advertisements	108,136	43,713
Audit fees	2,506,016	1,893,815
Awareness days	105,158	30,373
Bank Charges	26,318	32,286
Compensation Commission	114	-
Computer Expenses	456,243	419,999
DIWAF operational costs	16,056	-
Electricity, Water and Sanitation	488,395	370,353
Entertainment	33,595	14,784
Entertainment: Deputy Mayor	19,770	22,490
Entertainment: Mayor	164,587	128,397
Entertainment: Speaker	49,908	22,000
Expanded Public Works Program	7,415	914,452
Fire Extinguishers	9,876	4,757
Fuel and Oil	70,245	33,486
Household Expenses	32,552	21,300
Implement Projects	41,715	50,435
Internal Auditing	587,013	372,881
Insurance General	117,408	88,575
Integrated Development Plan : Economic	5,597	-
Integrated Development Plan : Financial Services	651,783	677,445
Integrated Development Plan : Revaluation	578,775	247,260
Inventory Items used - Department of Roads	7,515,231	7,740,476
Legal Fees	103,621	50,732
Membership Fees	519,811	526,642
Milk Powder	168,145	220,480
Penalties & Interest SARS	73,583	12,999
Printing and Stationery	173,435	141,531
Public Functions	133,055	66,220
Rates	82,402	103,474
Registration and Congress Fees	10,920	8,089
Rent	62,997	87,725
Rent Equipment	-	1,500
Samples: Milk, Water and Food	28,908	58,575
Shared services	1,829,810	454,141
Study Fund	103,129	161,935
Sundry Expenditure	67,803	143,945
Sundry Projects	7,630,020	5,993,474
Telephone and Postage	520,199	507,437
Training	135,259	58,752
Training Fund	551,262	421,742
Travel and Subsistence	2,546,876	1,142,252
Travel and Subsistence: Council	687,452	599,855
General Expenses	<b>29,020,589</b>	<b>23,890,860</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**CORRECTION OF ERROR IN TERMS OF GRAP 3**

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2015 Previously reported</b>	<b>Adjustments for errors</b>	<b>Reclassification</b>	<b>2015 Restated</b>
Accumulated Surplus/(Deficit)	(4,321,598)	(232,823)	0	(4,554,422)
Long-term Liabilities	14,994	-	-	14,994
Long-term Employee benefits	16,873,812	-	-	16,873,812
Current employee benefits	3,352,171	-	-	3,352,171
Payables from non exchange transactions	402,385	-	-	402,385
Payables from exchange transactions	4,736,720	2,258,638	-	6,995,358
Unspent Conditional Government Grants and Receipts	2,571,015	(190,206)	-	2,380,809
Current Portion of Long-term Liabilities	38,976	-	-	38,976
<b>Total Net Assets and Liabilities</b>	<b>23,668,475</b>	<b>1,835,609</b>	<b>0</b>	<b>25,504,083</b>
Property, Plant and Equipment	4,111,393	1,843,085	-	5,954,477
Intangible Assets	61,126	-	-	61,126
Employee benefits	9,612,848	-	-	9,612,848
Inventory	921,473	-	-	921,473
Receivables from non-exchange transactions	380,644	97,625	-	478,269
Unpaid Conditional Government Grants and Receipts	996,296	(313,524)	-	682,772
Taxes	111,743	-	-	111,743
Employee benefits	623,420	-	-	623,420
Cash and Cash Equivalents	6,912,522	145,435	-	7,057,957
<b>Total Assets</b>	<b>23,731,464</b>	<b>1,772,621</b>	<b>-</b>	<b>25,504,084</b>
<b>REVENUE</b>				
Government Grants and Subsidies - Operating	26,988,821	(60,330)	-	26,928,491
Debt Impairment	148,463	-	-	148,463
Actuarial Gains	58,062	-	-	58,062
National Treasury 1% audit fee	405,662	-	-	405,662
Rental of Facilities and Equipment	70,022	-	-	70,022
Interest Earned - external investments	446,335	(22,560)	-	423,775
Department of Transport - Roads Service Charges	35,781,816	-	-	35,781,816
Licences and Permits	14,990	-	-	14,990
Agency Services	3,158,928	-	-	3,158,928
Other Income	1,147,520	171,992	-	1,319,512
<b>Total Revenue</b>	<b>68,220,619</b>	<b>89,102</b>	<b>-</b>	<b>68,309,721</b>
<b>EXPENDITURE</b>				
Employee related costs	26,311,642	73,570	-	26,385,212
Remuneration of Councilors	3,074,324	-	-	3,074,324
Depreciation and Amortisation	249,835	-	-	249,835
Impairments	599,365	-	-	599,365
Repairs and Maintenance	9,741,111	-	-	9,741,111
Actuarial losses	1,116,322	-	-	1,116,322
Finance Charges	743,062	-	-	743,062
Contracted services	273,977	-	-	273,977
General Expenses	24,010,304	(119,444)	-	23,890,860
<b>Total Expenditure</b>	<b>66,119,942</b>	<b>(45,874)</b>	<b>-</b>	<b>66,074,068</b>
<b>NET (DEFICIT)SURPLUS FOR THE YEAR</b>	<b>2,100,677</b>	<b>134,976</b>	<b>-</b>	<b>2,235,653</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

<b>28.1</b>	<b>PROPERTY PLANT &amp; EQUIPMENT - LAND &amp; Buildings</b>	<b>2016 R</b>
	<i>Balance previously reported - 30 June</i>	<b>1,636,074</b>
	Land & Building in Prince Albert, ERF 744, previously not included in CKDM's register. Correction made to include the land & building in the updated register.	<b>1,843,085</b>
	<i>Restated Balance</i>	<b>3,378,159</b>
<b>28.2</b>	<b>Trade and Other Payables</b>	
	<i>Balance previously reported - 30 June</i>	<b>74,367</b>
	Payable incorrectly classified as debit payable. Payment made in the previous financial year and incorrectly disclosed as debit payable.	<b>(74,367)</b>
	<i>Restated Balance</i>	<b>-</b>
<b>28.3</b>	<b>Employee Related Costs - Contributions for UIF, Pensions and Medical Aids</b>	
	<i>Balance previously reported - 30 June</i>	<b>26,311,642</b>
	Payment incorrectly classified as a debit payable. Correction made. Expense reversed due to stale cheque	<b>74,367 (798)</b>
	<i>Restated Balance</i>	<b>26,385,211</b>
<b>28.4</b>	<b>Trade Receivables</b>	
	<i>Balance previously reported - 30 June</i>	<b>-</b>
	Income not recognised in correct financial year.	<b>171,992</b>
	<i>Restated Balance</i>	<b>171,992</b>
<b>28.5</b>	<b>Other Income - Shared services</b>	
	<i>Balance previously reported - 30 June</i>	<b>(546,971)</b>
	Revenue recognised in correct financial year.	<b>(171,992)</b>
	<i>Restated Balance</i>	<b>(718,963)</b>
<b>28.6</b>	<b>Unpaid Conditional Government Grants and Receipts</b>	
	<i>Balance previously reported - 30 June</i>	<b>996,296</b>
	Old grants considered not refundable corrected. MSIG grant over expenditure reversed	<b>(250,536) (62,988)</b>
	<i>Restated Balance</i>	<b>682,772</b>
<b>28.7</b>	<b>Unspent Conditional Government Grants and Receipts</b>	
	<i>Balance previously reported - 30 June</i>	<b>(2,671,015)</b>
	Old grants considered not repayable corrected.	<b>190,206</b>
	<i>Restated Balance</i>	<b>(2,380,809)</b>
<b>28.8</b>	<b>Government Grants and Subsidies - Operating</b>	
	<i>Balance previously reported - 30 June</i>	<b>(26,988,822)</b>
	Correction of Audit fees paid on behalf of National Treasury note 18	<b>60,330</b>
	<i>Restated Balance</i>	<b>(26,928,492)</b>
<b>28.9</b>	<b>Cash and Cash Equivalents</b>	
	<i>Balance previously reported - 30 June</i>	<b>6,912,521</b>
	Correction of stale checks not cashed Interest on bank account not included in bank balance	<b>120,242 25,193</b>
	<i>Restated Balance</i>	<b>7,057,956</b>
<b>28.10</b>	<b>General Expenses</b>	
	<i>Balance previously reported - 30 June</i>	<b>24,010,304</b>
	Expense reversed due to stale cheque	<b>(119,444)</b>
	<i>Restated Balance</i>	<b>23,890,860</b>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2015 R
<b>28.11 Interest Earned - external investments</b>	
<i>Balance previously reported - 30 June</i>	446,335
Interest on bank account not included in bank balance	25,193
Interest income not to be recognised as income. Interest on surety must go to Payable	(47,752)
<b>Restated Balance</b>	423,776
<b>28.12 Payables from exchange transactions</b>	4,736,720
Interest income not to be recognised as income. Interest on surety must go to Payable	47,752
Roads payable not correctly recognised	2,210,886
<b>Restated Balance</b>	6,995,358

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>29 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	2,071,381	2,235,652
<b>Adjustments for:</b>		
Depreciation	273,707	241,481
Amortisation of Intangible Assets	10,658	8,354
Loss on disposal of Property, Plant and Equipment	10,565	-
Interest on Employee benefits	1,477,105	1,360,284
Contribution to provisions – bad debt	132,630	(148,463)
Contribution to short term employee benefits	67,504	402,394
Contribution from/to employee benefits	912,415	580,583
Actuarial Losses	68,177	1,037,483
Non - cash movement in employee benefits	(741,144)	(1,383,165)
Impairment written off	900,642	599,365
Grants Received	30,302,472	27,469,279
Grant Expenditure	(32,311,191)	(26,893,822)
Operating Surplus before changes in working capital	3,174,920	5,409,425
Changes in working capital	(2,638,316)	(1,944,067)
Decrease in Trade and Other Payables	(1,002,416)	(552,894)
Increase/(Decrease) in Unspent and Unpaid Grants	-	60,331
Increase/(Decrease) in Taxes	(53,155)	(100,468)
(Increase)/Decrease in Inventory	108,927	212,510
(Increase)/Decrease in Trade and other receivables	(1,691,673)	(1,563,546)
<b>Cash generated by operations</b>	<b>536,604</b>	<b>3,465,357</b>

**30 RECONCILIATION OF CASH FLOW STATEMENT**

A correction towards the comparative relates to a payable incorrectly classified. The payment was made in the 2014 - 2015 financial year.

The comparative figures were adjusted as follows:

	2015 (Previously reported) R	2015 (Adjustments) R	2015 (Restated) R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other	39,214,074	74,367	39,288,441
Government	27,469,279	-	27,469,279
Interest	446,335	(22,560)	423,775
<b>Payments</b>			
Suppliers and employees	(63,793,563)	93,628	(63,699,935)
Finance charges	(16,202)	-	(16,202)
<b>Cash generated by operations</b>	<b>3,319,923</b>	<b>145,434</b>	<b>3,465,357</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	(297,593)	-	(297,593)
Purchase of Intangible Assets	(21,185)	-	(21,185)
Decrease/(Increase) in Non-current Investments	(593,633)	-	(593,633)
<b>Net Cash from Investing Activities</b>	<b>(912,412)</b>	<b>-</b>	<b>(912,412)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid	(51,039)	-	(51,039)
<b>Net Cash from Financing Activities</b>	<b>(51,039)</b>	<b>-</b>	<b>(51,039)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,356,474</b>	<b>145,432</b>	<b>2,501,906</b>
Cash and Cash Equivalents at the beginning of the year	4,556,048	-	4,556,048
Cash and Cash Equivalents at the end of the year	6,912,522	145,435	7,057,957
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,356,472</b>	<b>145,434</b>	<b>2,501,906</b>



**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>31</b>	<b>NON - CASH INVESTING AND FINANCING ACTIVITIES</b>		
<b>31.1</b>	<b>Employee benefits</b>		
	Movements for the year	980,592	1,618,066
	Non - Cash movement current portion of employee benefits	<u>(639,687)</u>	<u>(1,261,451)</u>
		<u>340,905</u>	<u>356,615</u>
<b>31.2</b>	<b>Current Employee benefits</b>		
	Movements for the year	83,918	239,044
	Non - Cash movement current portion of employee benefits	<u>(101,457)</u>	<u>(121,714)</u>
		<u>(17,539)</u>	<u>117,330</u>
<b>31.3</b>	<b>Long term receivables</b>		
	Movements for the year	639,687	1,261,451
	Non - Cash movement current portion of employee benefits	<u>(639,687)</u>	<u>(1,261,451)</u>
		<u>-</u>	<u>-</u>
<b>31.4</b>	<b>Short term receivables</b>		
	Movements for the year	101,457	121,714
	Non - Cash movement current portion of employee benefits	<u>(101,457)</u>	<u>(121,714)</u>
		<u>-</u>	<u>-</u>
<b>32</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 15	2,693,787	2,339,753
	Cash Floats - Note 15	1,300	1,300
	Bank - Note 15	<u>3,403,599</u>	<u>4,716,904</u>
	<b>Total cash and cash equivalents</b>	<u><b>6,098,686</b></u>	<u><b>7,057,957</b></u>
<b>33</b>	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
	Cash and Cash Equivalents - Note 32	6,098,686	7,057,957
		<u>6,098,686</u>	<u>7,057,957</u>
	Less:	829,919	2,380,809
	Unspent Committed Conditional Grants - Note 7	<u>829,919</u>	<u>2,380,809</u>
	<b>Resources available for working capital requirements</b>	<u><b>5,268,768</b></u>	<u><b>4,677,148</b></u>
<b>34</b>	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
	Long-term Liabilities - Note 2	182,809	53,970
	Used to finance property, plant and equipment - at cost	<u>(182,809)</u>	<u>(53,970)</u>
		<u>-</u>	<u>-</u>
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act		

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**36 BUDGET COMPARISONS**

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
<b>35.1 Operational</b>				
<b>Revenue by source</b>				
Government Grants and Subsidies - Operating	32,311,191	36,417,200	(4,106,009)	-11%
Actuarial Gains	370,332	-	370,332	100%
National Treasury 1% audit fee	1,290,698	-	1,290,698	100%
Rental of Facilities and Equipment	69,727	50,000	19,727	39%
Interest Earned - external Investments	631,914	500,000	131,914	26%
Department of Transport - Roads Service Charges	40,096,116	42,550,000	(2,453,884)	-6%
Licences and Permits	15,560	9,500	6,060	64%
Agency Services	3,077,276	3,773,500	(696,224)	-18%
Other Income	2,887,263	2,909,654	(22,391)	-1%
	<u>80,750,077</u>	<u>86,209,654</u>	<u>(5,459,777)</u>	<u>-6%</u>
<b>Expenditure by nature</b>				
Employee Related Costs	30,671,826	15,174,696	(15,497,130)	102%
Remuneration of Councilors	3,109,524	3,428,050	318,526	-9%
Debt Impairment	132,630	-	(132,630)	-100%
Depreciation and Amortisation	284,365	368,204	83,839	-23%
Impairments	900,642	50,000	(850,642)	1701%
Repairs and Maintenance	13,215,731	1,118,629	(12,097,102)	1081%
Finance Charges	653,829	139,000	(514,829)	370%
Contracted services	240,486	279,000	38,514	-14%
Capital Projects	-	115,000	115,000	-100%
General Expenses	29,020,589	64,963,934	35,943,345	-55%
Loss on disposal of Property, Plant and Equipment	10,565	-	(10,565)	-100%
Actuarial Losses	438,509	450,000	11,491	3%
	<u>78,678,696</u>	<u>86,086,513</u>	<u>7,407,817</u>	<u>-9%</u>
<b>Net Surplus for the year</b>	<u>2,071,381</u>	<u>123,341</u>	<u>1,948,040</u>	<u>1579%</u>
	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
<b>35.2 Expenditure by Vote</b>				
Executive and Council	10,603,691	9,829,329	774,362	8%
Budget and Treasury	13,270,887	15,319,606	(2,048,719)	-13%
Corporate Services	10,022,321	11,579,755	(1,557,434)	-13%
Planning and Development	1,540,325	2,569,660	(1,029,335)	-40%
Health	2,123,183	2,875,053	(751,870)	-26%
Public Safety	948,125	1,363,110	(414,985)	-30%
Road Transport	40,170,164	42,550,000	(2,379,836)	-6%
	<u>78,678,696</u>	<u>86,086,513</u>	<u>(7,407,817)</u>	<u>-9%</u>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
36.1 <u>Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure:		
Opening balance	-	-
Unauthorised expenditure current year - capital	599,015	-
Unauthorised expenditure current year - operating	774,362	-
Written off by council	-	-
Unauthorised expenditure awaiting authorisation	<u>1,373,377</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
<u>Unauthorised expenditure current year - operating</u>				
Corporate Services	10,022,321	11,579,755	(1,557,434)	-
Budget and Treasury	13,270,887	15,319,606	(2,048,719)	-
Health	2,123,183	2,875,053	(751,870)	-
Executive and Council	10,603,691	9,829,329	774,362	774,362
Planning and Development	1,540,325	2,569,660	(1,029,335)	-
Public Safety	948,125	1,363,110	(414,985)	-
Road Transport	40,170,164	42,550,000	(2,379,836)	-
	<u>78,678,696</u>	<u>86,086,513</u>	<u>(7,407,817)</u>	<u>774,362</u>
<u>Unauthorised expenditure current year - capital</u>				
	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
Budget and Treasury	714,015	115,000	599,015	599,015
	<u>714,015</u>	<u>115,000</u>	<u>599,015</u>	<u>599,015</u>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<b>36.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	12,999	-
Fruitless and wasteful expenditure current year	73,583	12,999
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<u>86,582</u>	<u>12,999</u>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
Interest on late payment of creditors	None	-
SARS penalties	None	12,999
Interest on arrear portion of long term liabilities	None	-
	<u>73,583</u>	<u>12,999</u>

<b>36.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		
Opening balance	433,577	64,474
Irregular expenditure current year	11,985,848	433,577
Written off by council from the previous year	-	(64,474)
Irregular expenditure awaiting further action	<u>12,419,425</u>	<u>433,577</u>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>	
Purchases made without tax clearance certificates	None	99,950
Outgoing councillors not repaying their debt	None	-
Non-compliance with Supply Chain Management	None	333,627
	<u>11,739,033</u>	<u>333,627</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies as they are minor breaches.

**36.4 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents listed hereunder have been condoned.

Deviations from the Supply Chain Management Regulations were identified on the following categories:

	Between R30,001 and R200,000	Up to R30,000
Emergency		76,343
Impractical	155,933	293,173
Sole Supplier	2,565,090	2,522,840
Grand Total	<u>2,721,023</u>	<u>2,892,356</u>

The ten major deviations, in total, for the current financial year were as follows:

Awarded to	Reason/Explanation	Amount
SOUTH CAPE PETROLEUM (PTY) LTD	Only alternative supplier	2,116,622
BELL EQUIPMENT	Only Agent that sells the specific parts	360,722
National Garage	Only supplier that we have an account with	272,130
MURRAYSBURG VULSTASIE	Only supplier that we have an account with	234,300
KAMKOR CC T/A DONKIN MOTORS	Only supplier that we have an account with	219,175
ELB EQUIPMENT LTD	Only Agent that sells the specific parts	196,618
BARLOWORLD EQUIPMENT	Only agent that supplies CAT Equipment	186,519
KOMATSU	Only Agent that sells the specific parts	159,305
VICTOR SE GARAGE	Only supplier that we have an account with	150,032
PENNYWORTH TRADING (PTY) LTD	Only Agent that sells the specific parts	141,266
<b>Total</b>		<u>4,036,688</u>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**36.5 Material Losses**

No material losses occurred

**36.6 Service in State**

No supplier(s) indicated that a member is in service of the state as required by section 13(c)(i) of the Supply Chain Management Regulations.

	2016 R	2015 R
<b>37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>37.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
Council subscriptions	500,000	526,707
Amount paid - current year	(500,000)	(526,707)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>37.2 Audit fees - [MFMA 125 (1)(b)]</b>		
Current year audit fee	2,506,016	1,893,815
External Audit - Auditor-General	2,506,016	1,893,815
Amount paid - current year	(2,506,016)	(1,893,815)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>37.3 VAT - [MFMA 125 (1)(b)]</b>		
Opening balance	111,743	11,275
Amounts received - current year	(713,091)	(376,195)
Amounts claimed - current year	826,286	454,871
<b>Closing balance - Receivable</b>	<b>224,938</b>	<b>90,952</b>
Vat in suspense due to cash basis of accounting		
Input VAT	434,306	112,987
Output VAT	(269,409)	(1,245)
<b>Receivable</b>	<b>164,897</b>	<b>111,743</b>
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
<b>37.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>	<b>2016 R</b>	<b>2015 R</b>
Opening balance	-	-
Current year payroll deductions and Council Contributions	4,768,515	4,151,236
Amount paid - current year	(4,768,515)	(4,151,236)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>37.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	4,367,739	3,414,633
Amount paid - current year	(4,367,739)	(3,414,633)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>37.6 Unlisted Investment in Central Karoo Economic Development Agency SOC Ltd - [MFMA 125 (1)(b)]</b>		
Cost	100	100
Owners contribution during the year	900,542	593,633
Impairments	(900,642)	(593,633)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**37.7 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June:

	Outstanding more than 90 days	Outstanding more than 90 days
Councillor MS Hanganana	21,838	24,517
Councillor IJ Windvogel	21,698	21,698
Councillor J Bostander	26,498	26,456
Councillor BJ van As	-	1,146
Councillor M Furmen	4,430	7,141
Councillor S Botes	1,753	1,753
Councillor Mayor EZ Njato	23,045	18,017
	<b>99,263</b>	<b>100,729</b>

**38 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:

2016 R	2015 R
-	474,628

Total commitments consist out of the following:

Upgrading of council chambers

2016 R	2015 R
-	474,628
-	474,628

This expenditure will be financed from:

Own Resources

2016 R	2015 R
-	-
-	474,628

**39 FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the municipality's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2016 R	2015 R
1% (2014 + 0.5%) Increase in interest rates	59,146	70,027
0.5% (2014 - 0.5%) Decrease in interest rates	(29,573)	(35,013)

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

No receivables are pledged as security for financial liabilities.

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2016 R	2015 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from non-exchange transactions	978,382	763,814
Cash and Cash Equivalents	8,098,686	7,057,957
Unpaid conditional grants and subsidies	1,140,601	682,772
	<u>8,217,669</u>	<u>8,504,543</u>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2016</b>				
Long Term liabilities - Finance Lease Liability	53,880	156,831	-	-
Capital repayments	42,442	140,367	-	-
Interest	11,438	16,464	-	-
Trade and Other Payables	6,113,252	-	-	-
Unspent conditional government grants and receipts	829,919	-	-	-
	<u>6,997,050</u>	<u>156,831</u>	<u>-</u>	<u>-</u>
<b>2015</b>				
Long Term liabilities - Finance Lease Liability	44,651	17,586	-	-
Capital repayments	38,976	14,994	-	-
Interest	5,675	2,592	-	-
Trade and Other Payables	6,995,358	-	-	-
Unspent conditional government grants and receipts	2,380,809	-	-	-
	<u>9,420,818</u>	<u>17,586</u>	<u>-</u>	<u>-</u>

**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		<b>2016</b>	<b>2016</b>
		<b>R</b>	<b>R</b>
<b>40</b>	<b>FINANCIAL INSTRUMENTS</b>		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
<b>40.1</b>	<b><u>Financial Assets</u></b>		
	<b><u>Classification</u></b>		
	<b>Receivables</b>		
	Receivables from exchange transactions	Financial instruments at amortised cost	978,382
			763,814
	<b>Other Receivables</b>		
	Government Subsidies and Grants	Financial instruments at amortised cost	1,140,601
			682,772
	<b>Short-term Investment Deposits</b>		
	Call Deposits	Financial instruments at amortised cost	2,693,787
			2,339,753
	<b>Bank Balances and Cash</b>		
	Bank Balances	Financial instruments at amortised cost	3,403,599
	Cash Floats and Advances	Financial instruments at amortised cost	1,300
		1,300	1,300
		<b>8,217,669</b>	<b>8,504,543</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	8,217,669	8,504,543
	<b>At amortised cost</b>	<b>8,217,669</b>	<b>8,504,543</b>
	<b>FINANCIAL INSTRUMENTS (CONTINUE)</b>		
<b>40.2</b>	<b><u>Financial Liability</u></b>		
	<b><u>Classification</u></b>		
	<b>Long-term Liabilities</b>		
	Capitalised Lease Liability	Financial instruments at amortised cost	140,367
			14,994
	<b>Payables from exchange transactions</b>		
	Trade creditors	Financial instruments at amortised cost	1,885,094
	Sundry creditors	Financial instruments at amortised cost	302,410
	Creditors Roads	Financial instruments at amortised cost	3,925,748
			4,269,860
	<b>Other Payables</b>		
	Government Subsidies and Grants	Financial instruments at amortised cost	829,919
			2,380,809
	<b>Current Portion of Long-term Liabilities</b>		
	Capitalised Lease Liability	Financial instruments at amortised cost	42,442
			38,976
		<b>7,125,980</b>	<b>9,430,137</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	7,125,980	9,430,137
<b>41</b>	<b>STATUTORY RECEIVABLES</b>		
	In accordance with the principles of GRAP 108, Statutory receivables of the municipality are classified as follows:		
	<b>Taxes</b>		
	VAT Receivable	164,897	111,743
		<b>164,897</b>	<b>111,743</b>
<b>42</b>	<b>EVENTS AFTER THE REPORTING DATE</b>		
	The municipality has no events after the financial year ended 30 June 2016		
<b>43</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
<b>44</b>	<b>CONTINGENT LIABILITY</b>		
	No contingent liabilities have been noted during the current financial year.		



**CENTRAL KAROO DISTRICT MUNICIPALITY**

**NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

45	RELATED PARTY TRANSACTIONS	2016 R	2015 R
45.1	<b>Related Party transactions of Central Karoo Economic Development Agency.</b>		
	Opening Balance	1,331,560	737,927
	Additions to loan	900,642	593,633
	Impairment of loan	(2,232,202)	(1,331,560)
	Closing balance	<u>-</u>	<u>-</u>
	Rental contribution per agreement not considered in the loan	62,997	87,725
45.2	<b>Related Party Loans</b>		
	The following are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director of Central Karoo District Municipality:		
	* Municipal Manager		
45.2	<b>Compensation of key management personnel</b>		
	The compensation of key management personnel is set out in note 20 to the Annual Financial Statements.		
45.3	<b>Other related party transactions</b>		
	Included in other receivables are outstanding money(s) to be recovered from Councillors, and Mayor, due to travel and lodging claimed, but not spent:		
	<u>Councillor/Staff Member</u>		
	Councillor MS Hangana	32,414	24,517
	Councillor JJ Windvogel	41,914	21,698
	Councillor J Bostander	46,714	26,456
	Councillor BJ van As	16,728	1,146
	Councillor M Furmen	21,158	7,141
	Councillor S Botes	1,753	1,753
	Councillor Mayor EZ Njado	42,134	18,017
	Councillor E Maans	3,193	-
	Councillor G De Vos	16,728	-
	Councillor Dr. AL Rabie	4,512	-
	Councillor S Nortjie	2,838	-
	Councillor AM Slabbert	16,728	-
		<u>246,815</u>	<u>100,729</u>
46	<b>FINANCIAL SUSTAINABILITY</b>		
	The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:		
	<b>Financial Indicators</b>		
	Current Liabilities exceeded current assets with the current ratio being 0.75 (2015)		
	Current assets exceeds current Liabilities with the current ratio being 0.89 (2016)		
	Liquidity ratio of 0.54 (2015)		
	Liquidity ratio of 0.57 (2016)		
	Accumulated deficit of R 4,554,422 (2015)		
	Accumulated deficit of R2,480,481 (2016)		
	<b>The following factors mitigated the financial uncertainty</b>		
	The current ratio increased to 1.17:1 from 0.90:1 in the prior year.		
	The municipality have budgeted for a Surplus of R 8 340 for the 2015/2016 financial year. The municipality is also budgeting for positive cash flows during 2016/2017 and 2017/2018		
	<b>Other Indicators</b>		
	None noted.		
47	<b>SERVICE IN KIND</b>		
	As per GRAP 23 par 99-107 the following transactions are regarded as service in kind		
	The auditor General - Audit fees over and above 1% contributed by National Treasury	1,290,698	405,662
	<b>Total</b>	<u>1,290,698</u>	<u>405,662</u>

CENTRAL KAROO DISTRICT MUNICIPALITY

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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**BUDGET COMPARISONS**

In order to comply with the requirements of GRAP 24.12 and GRAP 24.27, all required disclosures are included in pages 7 to 14.

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats

The following items are affected by these classification differences:

**Statement of financial position**

Consumer debtors in budget statements consist of Receivables from Exchange and Receivables from Non-exchange.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, Unpaid Conditional Grants and Receipts, Operating Lease Assets and Taxes are all incorporated under other receivables.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions as well as Unspent Conditional Government Grants and Receipts.

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

**Statement of financial performance**

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist of the following line items - Public Contributions and donations, Other Income and Third Party Payments.

Depreciation/Amortisation and Impairments are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist of the following line items - General Expenses, Repairs and Maintenance and Actuarial Losses.

**Cash Flow Statement**

The Cash Flow Statement is presented on a comparable basis.

**APPENDIX A - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2015</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2016</b>
<b>LEASE LIABILITY</b>							
Gestetner MP 6001 SP	20.00%		30/11/2015	24,373	-	24,373	-
RICOH MPC2003SP	13.00%		21/03/2021	-	70,938	3,381	67,557
RICOH MPC6003SP	13.00%		26/09/2020	-	114,132	13,875	100,258
Gestetner MPC 3001	13.00%		30/11/2016	18,553	-	12,429	6,124
RICOH MP301SP	13.00%		30/06/2019	11,044	-	2,173	8,871
<b>Total Lease Liabilities</b>				<b>53,970</b>	<b>185,070</b>	<b>56,231</b>	<b>182,809</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>53,970</b>	<b>185,070</b>	<b>56,231</b>	<b>182,809</b>

**APPENDIX B - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**MUNICIPAL VOTES CLASSIFICATION**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
2,588,310	(2,367,937)	220,373	Municipal Manager	6,075,634	(5,255,130)	820,504
3,485,800	(4,622,710)	(1,136,910)	Council general expenses	2,000,000	(5,348,561)	(3,348,561)
14,534,545	(14,838,208)	(303,663)	Financial services	23,245,452	(17,083,770)	6,161,682
7,925,260	(2,865,805)	5,059,455	Corporate services	5,310,183	(4,521,761)	788,422
1,042,785	(1,148,811)	(106,026)	Planning and development	1,411,127	(1,540,325)	(129,198)
77,074	(2,058,601)	(1,981,527)	Health	44,780	(2,123,183)	(2,078,403)
2,698,248	(1,487,053)	1,211,195	Other	2,200,318	(1,687,678)	512,640
-	(727,242)	(727,242)	Public safety	316,268	(948,125)	(631,857)
35,809,236	(35,809,236)	-	Road transport	40,146,313	(40,170,164)	(23,851)
68,161,258	(65,925,603)	2,235,656	<b>Total</b>	80,750,075	(78,678,697)	2,071,379

**APPENDIX C - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
1,491,462	(6,990,646)	(5,499,184)	Executive and council	3,685,618	(10,603,691)	(6,918,073)
6,530,558	(12,100,459)	(5,569,901)	Budget and treasury	16,278,595	(13,270,887)	3,007,708
23,852,493	(7,090,608)	16,761,885	Corporate Services	20,578,501	(10,022,321)	10,556,180
400,435	(1,148,811)	(748,376)	Planning and Development	-	(1,540,325)	(1,540,325)
77,074	(2,058,601)	(1,981,527)	Health	44,780	(2,123,183)	(2,078,404)
-	(727,242)	(727,242)	Public Safety	16,268	(948,125)	(931,857)
35,809,236	(35,809,236)	-	Road Transport	40,146,313	(40,170,164)	(23,851)
68,161,258	(65,925,603)	2,235,655	Total	80,750,076	(78,678,696)	2,071,379

APPENDIX D - Unaudited  
CENTRAL KAROO DISTRICT MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2015	Correction of error	Balance 1 JULY 2015	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2016
	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>							
<u><b>National Government Grants</b></u>							
Equitable Share	-	-	-	19,324,000	19,324,000	-	-
National Financial Management Grant	(2,068)	-	(2,068)	1,250,000	1,250,000	-	(2,068)
Municipal Systems Improvement Grant	-	-	-	930,000	930,000	-	-
EPWP	39,619	-	39,619	1,038,000	1,018,910	-	58,710
Work for Water Project	(179,597)	179,597	-	-	-	-	-
Rural Asset Management Grant (RAMS)	960,452	-	960,452	1,794,000	3,390,016	-	(635,564)
Dept. Local Government	90,766	(90,766)	-	-	-	-	-
<b>Total National Government Grants</b>	<b>909,173</b>	<b>88,831</b>	<b>998,004</b>	<b>24,336,000</b>	<b>25,912,925</b>	<b>-</b>	<b>(578,921)</b>
<u><b>Provincial Government Grants</b></u>							
Local Financial Management Grant	1,380,738	-	1,380,738	1,384,500	1,471,367	522,661	771,209
Global Fund Projects	(29,843)	29,843	-	-	-	-	-
Primary Health Care	(3,142)	3,142	-	-	-	-	-
EDA	(25,819)	25,819	-	-	-	-	-
Ambulance Subsidies	(5,529)	5,529	-	-	-	-	-
<b>Total Provincial Government Grants</b>	<b>1,316,405</b>	<b>64,333</b>	<b>1,380,738</b>	<b>1,384,500</b>	<b>1,471,367</b>	<b>522,661</b>	<b>771,209</b>
<u><b>Other Grant Providers</b></u>							
Tourism Biosfeer	50,855	(50,855)	-	-	-	-	-
Tourism Sustainability	48,585	(48,585)	-	-	-	-	-
Nutrition Scheme	(6,606)	6,606	-	-	-	-	-
LG SETA	(680,704)	-	(680,704)	3,930,412	3,522,828	-	(273,120)
Doring veld Project	-	-	-	651,559	881,409	-	(229,849)
<b>Total Other Grant Providers</b>	<b>(587,870)</b>	<b>(92,834)</b>	<b>(680,704)</b>	<b>4,581,972</b>	<b>4,404,237</b>	<b>-</b>	<b>(502,969)</b>
<b>Total</b>	<b>1,637,709</b>	<b>60,330</b>	<b>1,698,038</b>	<b>30,302,472</b>	<b>31,788,530</b>	<b>522,661</b>	<b>(310,682)</b>

**APPENDIX E - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Audited Outcome
R thousand								
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	36,488	1,248	37,733	40,543	2,809	107.4%	111.1%	31,875
Executive and council	9,898	802	10,700	3,688	(7,014)	34.4%	37.2%	1,491
Budget and treasury	7,478	1,248	8,726	16,279	7,553	188.6%	217.7%	6,531
Corporate services	19,110	(802)	18,308	20,579	2,271	112.4%	107.7%	23,852
<i>Community and public safety</i>	3,740	-	3,740	61	(3,679)	100.0%	100.0%	77
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	664	-	664	16	(848)	1.9%	1.9%	-
Housing	-	-	-	-	-	-	-	-
Health	2,876	-	2,876	45	(2,831)	100.0%	100.0%	77
<i>Economic and environmental services</i>	37,450	6,484	43,934	40,148	(3,786)	91.4%	107.2%	36,210
Planning and development	1,560	(585)	1,364	-	(1,364)	100.0%	100.0%	400
Road transport	35,500	7,050	42,550	40,148	(2,404)	94.4%	113.1%	35,609
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	822	-	822	-	(822)	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<i>Other</i>	822	-	822	-	(822)	-	-	-
<b>Total Revenue - Standard</b>	<b>78,498</b>	<b>7,712</b>	<b>86,210</b>	<b>80,750</b>	<b>(5,460)</b>	<b>93.7%</b>	<b>102.9%</b>	<b>68,161</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	36,192	919	37,111	33,897	(3,214)	91.3%	93.7%	26,182
Executive and council	9,879	1,126	11,004	10,604	(400)	96.4%	107.3%	6,991
Budget and treasury	7,752	33	7,785	13,271	5,486	170.5%	171.2%	12,100
Corporate services	18,562	(239)	18,322	10,022	(8,300)	54.7%	54.0%	7,091
<i>Community and public safety</i>	3,738	500	4,238	3,071	(1,167)	100.0%	100.0%	2,788
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	663	500	1,363	948	(415)	100.0%	100.0%	727
Housing	-	-	-	-	-	-	-	-
Health	2,875	-	2,875	2,123	(752)	100.0%	100.0%	2,059
<i>Economic and environmental services</i>	37,450	6,485	43,935	41,710	(2,205)	95.0%	111.4%	36,958
Planning and development	1,560	(585)	1,366	1,540	175	100.0%	100.0%	1,149
Road transport	35,500	7,050	42,550	40,170	(2,380)	94.4%	113.2%	35,609
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	821	-	821	-	(821)	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<i>Other</i>	821	-	821	-	(821)	-	-	-
<b>Total Expenditure - Standard</b>	<b>78,202</b>	<b>7,885</b>	<b>86,087</b>	<b>78,679</b>	<b>(7,408)</b>	<b>91.4%</b>	<b>100.6%</b>	<b>65,928</b>
<b>Surplus/(Deficit) for the year</b>	<b>296</b>	<b>(172)</b>	<b>123</b>	<b>2,071</b>	<b>1,948</b>	<b>1679.4%</b>	<b>700.5%</b>	<b>2,238</b>

**APPENDIX E - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<b>Revenue by Vote</b>								
Executive and Council	9,898	802	10,700	3,686	(7,014)	34.4%	37.2%	1,491
Budget and Treasury	7,478	1,248	8,726	16,279	7,553	186.6%	217.7%	6,531
Corporate Services	19,110	(802)	18,308	20,579	2,271	112.4%	107.7%	23,852
Community and Social Services	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-
Public Safety	864	-	864	16	(848)	1.9%	1.9%	-
Road Transport	35,500	7,050	42,550	40,146	(2,404)	94.4%	113.1%	35,809
Health	2,876	-	2,876	45	(2,831)	100.0%	100.0%	77
Planning and development	1,950	(585)	1,364	-	(1,364)	100.0%	100.0%	400
Waste Water Management	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-
Other	822	-	822	-	(822)	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>78,498</b>	<b>7,712</b>	<b>86,210</b>	<b>80,760</b>	<b>(5,460)</b>	<b>93.7%</b>	<b>102.9%</b>	<b>68,181</b>
<b>Expenditure by Vote to be appropriated</b>								
Executive and Council	9,879	1,126	11,004	10,604	(400)	96.4%	107.3%	6,991
Budget and Treasury	7,752	33	7,785	13,271	5,486	170.5%	171.2%	12,100
Corporate Services	18,562	(239)	18,322	10,022	(8,300)	54.7%	54.0%	7,091
Community and Social Services	-	-	-	-	-	-	-	-
Planning and development	1,950	(585)	1,366	1,540	175	100.0%	100.0%	1,149
Public Safety	863	500	1,363	948	(415)	100.0%	100.0%	727
Road Transport	35,500	7,050	42,550	40,170	(2,380)	94.4%	113.2%	35,809
Health	2,875	-	2,875	2,123	(752)	100.0%	100.0%	2,059
Water	-	-	-	-	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-
Other	821	-	821	-	(821)	-	-	-
<b>Total Expenditure by Vote</b>	<b>78,202</b>	<b>7,885</b>	<b>86,087</b>	<b>78,679</b>	<b>(7,408)</b>	<b>91.4%</b>	<b>100.6%</b>	<b>65,926</b>
<b>Surplus(Deficit) for the year</b>	<b>296</b>	<b>(172)</b>	<b>123</b>	<b>2,071</b>	<b>1,943</b>	<b>1679%</b>	<b>700.5%</b>	<b>2,236</b>



**APPENDIX E - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**REVENUE AND EXPENDITURE**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-
Rental of facilities and equipment	120	(70)	50	70	20	139.5%	58.1%	70
Interest earned - external investments	200	300	500	632	132	126.4%	316.0%	424
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	16	16	100.0%	100.0%	15
Agency services	3,421	353	3,774	3,077	(696)	81.5%	90.0%	3,159
Transfers recognised - operational	36,301	116	36,417	32,311	(4,106)	88.7%	89.0%	27,334
Other income	38,456	7,014	45,469	44,644	(825)	98.2%	116.1%	37,159
Gains on disposal of PPE	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>78,498</b>	<b>7,712</b>	<b>86,210</b>	<b>80,750</b>	<b>(5,460)</b>	<b>1117.8%</b>	<b>102.9%</b>	<b>68,161</b>
<b>Expenditure By Type</b>								
Employee related costs	14,415	759	15,175	30,672	15,497	202.1%	212.8%	28,385
Remuneration of councillors	3,428	-	3,428	3,110	(319)	90.7%	90.7%	3,074
Debt impairment	-	-	-	133	133	100.0%	100.0%	(149)
Depreciation and Amortisation	375	(7)	368	284	(84)	77.2%	75.8%	250
Finance charges	139	-	139	654	515	470.4%	470.4%	743
Bulk purchases	-	-	-	-	-	-	-	-
Other materials	-	-	-	-	-	-	-	-
Contracted services	-	-	-	240	240	100.0%	100.0%	274
Transfers and grants	-	-	-	-	-	-	-	-
General Expenses	59,844	7,132	66,977	43,575	(23,401)	65.1%	72.8%	35,348
Loss on disposal of Property, Plant and Equipment	-	-	-	11	11	100.0%	100.0%	-
<b>Total Expenditure</b>	<b>78,202</b>	<b>7,885</b>	<b>86,087</b>	<b>78,679</b>	<b>(7,408)</b>	<b>1091.8%</b>	<b>100.6%</b>	<b>65,926</b>
<b>Surplus/(Deficit)</b>	<b>296</b>	<b>(172)</b>	<b>123</b>	<b>2,071</b>	<b>1,948</b>	<b>1679%</b>	<b>700.5%</b>	<b>2,236</b>
Transfers recognised - capital	-	-	-	-	-	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>296</b>	<b>(172)</b>	<b>123</b>	<b>2,071</b>	<b>1,948</b>	<b>1679%</b>	<b>700.5%</b>	<b>2,236</b>

**APPENDIX E - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description R thousand	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure</b>								
Executive and Council	-	-	-	-	-	-	-	-
Budget and Treasury Office	-	-	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure</b>	-	-	-	-	-	-	-	-
<b>Single-year expenditure</b>								
Executive and Council	-	-	-	-	-	-	-	-
Budget and Treasury Office	-	-	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure</b>	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Vote</b>	-	-	-	-	-	-	-	-
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>	295	(180)	115	539	424	468.7%	182.7%	318
Executive and council	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-
Corporate services	295	(180)	115	539	424	468.7%	182.7%	318
<b>Community and public safety</b>	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	-	-
<b>Trading services</b>	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	295	(180)	115	539	424	469%	183%	318
<b>Funded by:</b>								
National Government	-	-	-	-	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	-	-	-	-	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	295	(180)	115	539	424	468.7%	182.7%	68
<b>Total Capital Funding</b>	295	(180)	115	539	424	469%	183%	68

**APPENDIX E - Unaudited**  
**CENTRAL KAROO DISTRICT MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**CASH FLOWS**

Description  R thousand	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.to. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>					-	-	-	
Ratepayers and other	41,673	3,690	45,563	45,062	499	1.1%	12.8%	39,288
Government - operating	36,301	316	36,617	30,302	(6,315)	-20.8%	-1997.1%	27,469
Government - capital	-	-	-	-	-	-	-	-
Interest	200	300	500	632	132	20.9%	44.0%	424
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>					-	-	-	
Suppliers and employees	(77,274)	(433)	(77,707)	(76,446)	1,261	-1.6%	-291.1%	(63,700)
Finance charges	(139)	-	(139)	(14)	125	-912.9%	#DIV/0!	(16)
Transfers and Grants	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>761</b>	<b>4,073</b>	<b>4,834</b>	<b>537</b>	<b>(4,298)</b>	<b>-800.9%</b>	<b>-105.5%</b>	<b>3,465</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	0				-
Purchase of Property, Plant and Equipment	-	-	-	-				(21)
Decrease (increase) other non-current investments	(649)	215	(434)	(901)	(467)	51.8%	100.0%	(594)
<b>Payments</b>					-	-	-	
Capital assets	(295)	180	(115)	(539)	(424)	78.7%	100.0%	(298)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(944)</b>	<b>395</b>	<b>(549)</b>	<b>(1,440)</b>	<b>(891)</b>	<b>61.9%</b>	<b>100.0%</b>	<b>(912)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-
<b>Payments</b>					(1,782)	-	-	
Repayment of borrowing	37	-	37	(56)	(93)	165.9%	100.0%	(51)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>37</b>	<b>-</b>	<b>37</b>	<b>(56)</b>	<b>(93)</b>	<b>165.9%</b>	<b>100.0%</b>	<b>(51)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(145)</b>	<b>4,468</b>	<b>4,323</b>	<b>(959)</b>	<b>(5,282)</b>	<b>550.6%</b>	<b>-118.2%</b>	<b>2,502</b>
Cash/cash equivalents at the year begin:	10,201	(3,284)	6,917	7,058	141	2.0%	-4.3%	4,556
Cash/cash equivalents at the year end:	10,056	1,184	11,240	6,099	(5,235)	-85.8%	-442.1%	7,058